

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2020-2-E – ORDER NO. 2020-331

APRIL 30, 2020

IN RE: Annual Review of Base Rates for                    ) ORDER APPROVING FUEL COSTS  
Fuel Costs for Dominion Energy                            )  
South Carolina, Inc.    )

**I. INTRODUCTION**

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the annual review of the fuel purchasing practices and policies of Dominion Energy South Carolina, Inc. (“DESC” or “Company”) and for a determination as to whether any adjustment in the fuel cost recovery factors is necessary and reasonable. The procedure followed by the Commission in this proceeding is set forth in S.C. Code Ann. § 58-27-865 (2015). Additionally, and pursuant to S.C. Code Ann. § 58-39-140 (2015), the Commission must determine in this proceeding whether an increase or decrease should be granted in the fuel cost component designed to recover the incremental and avoided costs incurred by the Company to implement the Distributed Energy Resource (“DER”) program previously approved by the Commission. The period under review in this Docket is January 1, 2019, through December 31, 2019 (“Review Period”).

**A. Notice and Interventions**

By letter dated August 13, 2019, the Clerk’s Office of the Commission instructed the Company to publish a Notice of Hearing and Prefile Testimony Deadlines (“Notice”) in newspapers of general circulation in the area affected by the Commission’s annual review of the

Company's fuel purchasing practices and policies by October 8, 2019. The letter also instructed the Company to furnish the Notice to its customers by U.S. Mail via bill inserts, or by electronic mail to customers who have agreed to receive notice by electronic mail, by October 8, 2019. The Notice indicated the nature of the proceeding and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file appropriate pleadings. On September 30, 2019, the Company filed with the Commission affidavits demonstrating that the Notice was duly published in newspapers of general circulation in accordance with the instructions set forth in the Clerk's Office's August 13, 2019, letter. On October 9, 2019, the Company filed with the Commission an affidavit demonstrating that the Notice was appropriately furnished to each affected customer.

Petitions to Intervene were received from the South Carolina Energy Users Committee ("SCEUC"), the South Carolina Solar Business Alliance, Inc. ("SCSBA"), CMC Steel South Carolina ("CMC Steel"), Ecoplexus, Inc. ("Ecoplexus"), and the South Carolina Coastal Conservation League ("SCCCL") and the Southern Alliance for Clean Energy ("SACE"). Pursuant to S.C. Code Ann. § 37-6-604(C) (2015 & Supp. 2019), the South Carolina Department of Consumer Affairs ("Consumer Affairs") was provided notice of this Docket which could impact consumers' utility rates; however, Consumer Affairs did not intervene. The Petitions to Intervene of SCEUC, SCSBA, CMC Steel, Ecoplexus, SCCCL, and SACE were not opposed by DESC, and no other parties sought to intervene in this proceeding. The South Carolina Office of Regulatory Staff ("ORS") is automatically a party pursuant to S.C. Code Ann. § 58-4-10(B) (2015 & Supp. 2019).

## **II. STATUTORY STANDARDS AND REQUIRED FINDINGS**

S.C. Code Ann. § 58-27-865(B) (2015) states in pertinent part that, “[u]pon conducting public hearings in accordance with law, the [C]ommission shall direct each company to place in effect in its base rate an amount designed to recover, during the succeeding twelve months, the fuel costs determined by the [C]ommission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding twelve-month period.”

## **III. HEARING**

### **A. The Parties’ Joint Motion**

On April 2, 2020, ORS, SCEUC, SCSBA, CMC Steel, Ecoplexus, SCCCL, SACE, and DESC (the “Parties” and individually a “Party”) filed a Joint Motion to Cancel Public Hearing (“Joint Motion”). In the Joint Motion, the Parties recognized the requirement that this Commission conduct a hearing, but also recognized that Governor Henry McMaster had declared a State of Emergency in South Carolina that existed as of the scheduled date of the hearing. The Parties further noted in pertinent part that the Governor had declared in Executive Order 2020-13, dated March 23, 2020, that ““the State must promote and facilitate effective ‘social distancing’ practices”” in order to “address the significant public health, economic, and other impacts associated with COVID-19 and to mitigate the resulting burdens on healthcare providers, individuals, and businesses in South Carolina.”

The Parties asserted that the South Carolina Administrative Procedures Act “grants the Commission flexibility regarding hearings in contested matters” and that “notice and the opportunity to be heard through the presentation of written evidence is sufficient to comply with procedural due process.” The Parties asserted that notice and an opportunity to be heard properly had been provided. The Parties therefore requested that the Commission waive the hearing

requirement and “dispose of the proceeding without requiring a formal hearing.” Attached to the Joint Motion were verifications for all of the written testimony filed in this proceeding. The Parties asserted that the “verified testimony filed by the Parties fully develops the facts and issues necessary to form a complete record upon which the Commission can make a just and reasonable decision and issue an order reflecting such decision, so that DESC may implement any change to its fuel factors in the first billing cycle in May 2020.” The Parties therefore requested that “the Commission (1) admit the pre-filed testimony of DESC, ORS, and CCL/SACE into the record and (2) exercise its discretion to informally dispose of the proceeding without holding a formal hearing.”

On April 6, 2020, in Order No. 2020-30-H through its Hearing Officer the Commission denied in part and granted in part the Joint Motion. The Commission denied the request to cancel the public hearing because S.C. Code Ann. § 58-27-865(B) (2015) “requires the Public Service Commission to ‘conduct public hearings in accordance with law.’” The Commission therefore determined that “cancelling the public hearing is inappropriate,” and denied that portion of the Joint Motion. The Commission granted the “portion of the [J]oint [M]otion which requests the Commission to ‘decide this matter without the need for an in-person hearing,’” and determined that the “Commission will conduct a virtual hearing in the Commission’s hearing room at the scheduled time.” Order No. 2020-30-H also set forth a procedure to be used in the virtual hearing.

#### **B. The Virtual Hearing**

Consistent with Order No. 2020-30-H, the Commission convened a virtual hearing on this matter on April 9, 2020, with the Honorable Comer H. “Randy” Randall presiding. Present in the Commission’s hearing room to facilitate the virtual hearing was David Stark, Esquire. The Parties’ representatives appeared virtually from remote locations. DESC was represented by K. Chad

Burgess, Esquire, and Matthew W. Gissendanner, Esquire. SCEUC was represented by Scott Elliott, Esquire. SCCCL and SACE were represented by J. Blanding Holman, IV, Esquire, and by Kurt Ebersbach, Esquire, and Kate Lee, Esquire, both of whom were admitted *pro hac vice*. Jeffrey M. Nelson, Esquire, represented ORS.

By motion filed on April 2, 2020, SCSBA and Ecoplexus requested to be excused from appearing at the virtual hearing. By motion filed on April 3, 2020, CMC Steel also requested to be excused from appearing at the virtual hearing. In Order No. 2020-29-H, the Commission, through its Hearing Officer, granted the motions of SCSBA, Ecoplexus, and CMC Steel to be excused from appearing at the hearing, noting that none of these three parties filed written testimony in this proceeding and finding that the “requests to be excused from a virtual hearing to be conducted in this matter would not prejudice nor burden any party.”

In the virtual hearing, the Commission followed the procedure established in Order No. 2020-30-H. DESC moved into evidence the verified direct testimony of George Lippard, Henry Delk, Michael Shinn, Rose Jackson, Mark Furtick, and Allen Rooks, and also moved in the verified rebuttal testimony of Rose Jackson. DESC then moved into evidence Composite Hearing Exhibit No. 1, which consists of Exhibits HED-1, MDS-1, RMJ-1, and AWR 1-15. SCCCL and SACE moved into evidence the verified direct testimony and verified rebuttal testimony of Gregory Lander, with the confidential portions of each remaining under seal, and then moved into evidence Hearing Exhibit No. 2 (GML-1 (Public)) and Hearing Exhibit No. 3 (GML-1 (Confidential)). ORS moved into evidence the verified direct testimony of Michael Seaman-Huynh, Anthony Sandonato, Anthony Briseno, and Robert Lawyer, and then moved into evidence Hearing Exhibit No. 4 (ADB 1-9), Hearing Exhibit No. 5 (MSH 1-5), Hearing Exhibit No. 6 (RAL-1), and Hearing Exhibit No.

7 (AMS 1-6). No customers appeared at the Commission's offices during the virtual hearing, and no customers requested to appear and make comments at the virtual hearing.

#### **IV. REVIEW OF THE EVIDENCE AND EVIDENTIARY CONCLUSIONS**

After considering and evaluating the evidence and testimonies of the witnesses, the Commission reaches the following factual and legal conclusions:

##### **A. Proposed Base Fuel Component**

###### ***1. DESC Testimony***

Witness Rooks testified that the actual base fuel over-collected balance was \$8,415,146 at December 31, 2019, and the over-collected balance is projected to be \$17,310,750 at the end of April 2020. Witness Rooks also testified that the Company proposes to reduce its Base Fuel Component from the current rate of 2.451 cents per kWh to 2.250 cents per kWh for the period May 2020 through April 2021. As discussed in more detail below, Mr. Rooks further testified that the Company is proposing that Variable Environmental & Avoided Capacity Cost Components be maintained for Residential customers and slightly increased for its General Service customers for the period May 2020-April 2021; that DER Avoided Cost components be slightly increased for all customer classes; and that the Company's DER Incremental Cost Component per account per month be maintained at \$1.00 for Residential and \$100 for Large General Service customers and increased to \$5.85 for Small/Medium General Service customers.

When combining the Company's 2020 proposals for Fuel, DSM, and Pension cost recovery, Witness Rooks testified that the average monthly bill for residential customers using 1,000 kWh per month would decrease from \$124.35 to \$122.31. This \$2.04 per month reduction, or -1.64%, would become effective with the first billing cycle of May 2020. Witness Rooks testified that the \$2.04 per month reduction consists of a \$1.91 decrease due to the total proposed

fuel cost factor updates; a \$0.35 increase due to the proposed DSM Rider Update filed on January 31, 2020, in Docket No. 2020-41-E; and a \$0.48 decrease due to the Company's filing on February 7, 2020, in Docket No. 2020-50-E to reduce its Pension Costs Component Rider.

## ***2. ORS Testimony***

Witness Briseno testified that "it is ORS's opinion, that subject to the Company's Adjustments, the Company's accounting practices are in compliance with S.C. Code Ann. §§ 58-27-865, 58-39-130, 58-39-140, 58-40-20, and prior Commission Orders." He further testified that, as of December 2019, ORS agrees with the following balances as calculated by DESC Witness Rooks: base fuel cumulative over-recovery balance of \$8,415,146; variable environmental and avoided capacity over-recovery balance of \$4,011,206; DERP avoided costs over-recovery balance of \$1,334,400; and a DERP incremental costs under-recovery balance of \$3,271,553. As shown on Hearing Exhibit No. 4 (ADB-5), page 2 of 2, ORS projects the Company to have an estimated base fuel cumulative over-recovery balance of \$17,310,750, an estimated variable environmental and avoided capacity over-recovery balance of \$4,584,509, an estimated DERP avoided costs over-recovery balance of \$660,175, and an estimated DERP incremental costs under-recovery balance of \$4,643,605 as of April 2020.

## ***3. SCCCL and SACE Testimony***

SCCCL and SACE did not present testimony regarding the Company's proposed base fuel component.

## ***4. Commission Conclusions Regarding the Proposed Base Fuel Cost Component***

As reflected in the record, no party challenged DESC's proposed Base Fuel Cost Component. Based upon the evidence and testimony of the witnesses, the Commission notes that the proposed fuel rates, combined with the Company's proposals in the DSM and Pension Dockets,

would reduce residential bills by 1.64% compared to current rates and finds and concludes that the Company's proposed Base Fuel Component is reasonable and prudent and is consistent with S.C. Code Ann. § 58-27-865 (2015).

**B. Fuel Purchasing Practices, Environmental Costs, Plant Operations, and Fuel Inventory Management**

***1. DESC Testimony***

DESC witnesses testified on issues related to the prudence of DESC's fuel purchasing practices, plant operations, and fuel inventory management, and explained the regulatory atmosphere governing environmental compliance for DESC. Witness Lippard discussed the operating performance of the V.C. Summer Nuclear Station. Witness Delk reviewed the operating performance of the Company's fossil/hydro units and of South Carolina Generating Company's ("GENCO's") Williams Electric Generating Station. Witness Shinn discussed the Company's procurement and delivery activities for coal and No. 2 fuel oil for electric generation, the changes that have occurred in coal markets since the last annual fuel adjustment hearing, and how these changes affected coal procurement during the Review Period and are anticipated to affect future procurement. Witness Shinn also discussed the procurement and delivery of limestone for the wet scrubbers at Wateree and Williams Stations, the nuclear fuel purchasing processes for DESC generation, uranium prices, and the near-term outlook of coal and uranium prices. Witness Jackson provided testimony about the natural gas purchasing processes for DESC generation and discussed natural gas prices as well as the near-term outlook.

Witness Rooks provided actual fuel cost data for the historical Review Period, projected fuel costs for the period January 1, 2019, through April 30, 2021, and recommended fuel rates for the period of May 2020 through April 2021. Composite Hearing Exhibit No. 1 (AWR-5) shows



the Company's forecasted variable environmental and avoided capacity costs and the allocation of those costs to retail customer classes for the period of May 2020 through April 2021. This exhibit also details forecasted sales data by class, over/under recovery computations, and calculates the projected Variable Environmental & Avoided Capacity Cost Components per kWh for the same period. Witness Rooks testified that, as shown in Composite Hearing Exhibit No. 1 (AWR-5), the Company is proposing that Variable Environmental & Avoided Capacity Cost Components be maintained for Residential customers and slightly increased for its General Service customers for the period May 2020-April 2021. The Variable Environmental & Avoided Capacity Cost Components produced by these calculations are projected to recover all costs and are as follows: 0.071 cents per kWh for the Residential rate class; 0.070 cents per kWh for the Small General Service rate class; 0.057 cents per kWh for the Medium General Service rate class; and 0.036 cents per kWh for the Large General Service rate class. Witness Rooks also sponsored the Company's proposed "Adjustment for Fuel, Variable Environmental & Avoided Capacity, and Distributed Energy Resource Costs" tariff shown in Composite Hearing Exhibit No. 1 (AWR-11).

## ***2. ORS Testimony***

Witness Briseno testified and presented the results of the ORS Audit Department's examination of the Company's books and records pertaining to the Fuel Adjustment Clause operation for the Review Period, and the Company's estimated calculations for the months of January 2020 through April 2020. Based on the ORS Audit Department's examination of the Company's books and records, and the Company's operation of the fuel cost recovery mechanism, Witness Briseno verified that the Company's accounting practices are in compliance with S.C. Code Ann. §§ 58-27-865, 58-39-130, 58-39-140, and 58-40-20 (2015 & Supp. 2019) and prior Commission orders. Witness Sandonato testified to the ORS's findings resulting from its review

of the Company's fuel expenses and power plant operations used in the generation of electricity during the Review Period. Based on ORS's review of the Company's operation of its generating facilities during the Review Period, Witness Sandonato verified that the Company made reasonable efforts to maximize unit availability and minimize fuel costs during the Review Period.

### ***3. SCCCL and SACE Testimony***

SCCCL and SACE Witness Lander recommends that the Commission not allow DESC full recovery of the costs associated with its Precedent Agreements with Mountain Valley Pipeline and Transcontinental Gas Pipeline Company's Southeastern Trail Project. DESC Witness Jackson presented rebuttal testimony opposing Witness Lander's recommendations. Both Witness Lander and Witness Jackson agree that no costs associated with the Precedent Agreements with Mountain Valley Pipeline and the Southeastern Trail Project are included in this fuel proceeding. As such, the issues related to these agreements are not before the Commission in this proceeding, and the Commission declines to issue any ruling on these matters.

Witness Lander also takes issue with how DESC "allocate[s] pipeline capacity between its Gas and Electric Division[s]." He recommends that the Commission "alter the current policy governing compensation by one Division for the use of another Division's contractually available capacity." He further recommends that the Commission "require that the compensation include covering fixed costs and not just variable costs." He believes that, under the current practice when the Electric Division uses the Gas Division's capacity, "electric ratepayers receive nearly 'free use' of contracted pipeline capacity paid for by the Gas Division's ratepayers." He contends that, if the Electric Division bought that same capacity from a third-party supplier, "it would, at a minimum, have to pay interruptible rates." He further contends that, if the "Electric Division bought the same capacity in the short-term capacity release market, it would have to pay market

price.” He notes that market price “could be higher or lower than the price for interruptible capacity from the pipeline.” He recommends that the Commission require the Company to use incremental rates, which “would charge the using Division a rate that is a reasonable proxy for the unit cost of new capacity.”

In response to Witness Lander, Witness Jackson testified that the Company’s Electric and Gas Divisions share interstate transportation capacity “pursuant to a Memorandum of Understanding (“MOU”), as previously approved by the Commission in Docket No. 2006-5-G, and a Replacement MOU approved by the Commission in Docket No. 2015-5-G.” Witness Jackson testified that the Electric and Gas Divisions share their firm transportation capacity on interstate pipelines on an interruptible basis as conditions warrant. She further testified that “such sharing has been mutually beneficial to both departments.” Witness Jackson noted that, under the Replacement MOU approved by this Commission, the Gas and Electric Divisions agreed to a simplified accounting methodology that allocated fixed costs to the division that holds primary firm transportation rights. Purchasing and variable costs are allocated based on the actual quantities scheduled, and imbalance costs are allocated to the division that causes the imbalance to be incurred.

Witness Jackson further testified that the MOU “promotes the efficient use of interstate transportation and storage capacity between the departments and reduces the overall gas costs.” She testified that, in January and February 2019, the Gas Department was able to use capacity that the Electric Department was not using during a peak winter period, which allowed the Gas Department “to mitigate purchasing higher priced delivered gas or dispatching liquified natural gas.” Witness Jackson also testified that “the MOU eliminates both the credit and scheduling risks associated with capacity released to or from a third party.”

Witness Jackson testified that Mr. Lander's proposals are not consistent because he states that DESC has no need for additional capacity, but wants the Company "to allocate costs between the two departments based on what it would cost if DESC had contracted for firm capacity on an incremental project." She states that Mr. Lander "fails to acknowledge that if DESC were to acquire additional spot capacity in the capacity release market, the Company would pay market-based rates which on average are currently lower than the interruptible rate of either legacy or incremental interstate pipeline projects." Witness Jackson offered that Mr. Lander's proposal "does not reflect the actual costs incurred and would result in increased costs to both electric and gas customers." She testified that the "current cost allocation represents actual costs incurred while providing firm service to the primary contract holder."

In response to Witness Jackson's rebuttal testimony, Witness Lander testified that his recommended method would not "result in increased costs to both electric and gas ratepayers" because his recommendation "only relates to the *allocation* of costs" and that "any rate increase for electric ratepayers would result in a corresponding decrease in rates to the gas division and vice versa." He testified that his recommended method would not reflect the highest available costs because "incremental rates more closely reflect what the cost of that capacity would have been had that Division's ratepayers borne the cost of new capacity needed to meet the demand." Witness Lander testified that, because "DECGT, Transco, and Sonat are fully subscribed[, ] any capacity wanted by a Division in its own name would be new capacity and would be incrementally priced." And he testified that DESC can release capacity to itself on DECGT and Sonat systems, and, "[t]o the best of [his] knowledge," also could release capacity to itself on the Transco and Elba systems "through some simple administrative changes" by "using one of the thirty-two other DUNS

numbers that remain active for the DESC family and changing the ‘name string’ in the pipelines systems by at least one character.”

According to Witness Lander, DESC would not have to use the capacity release market. He testified that DESC could also use self-releases to identify market value for cost allocation, but recommended that “only if: a) DESC has no other way to account for this sort of shared use; and b) if market value were chosen by this Commission as the preferred metric for cost allocation purposes.” He also testified that “DESC could also just simply keep track ... of this information internally.” Witness Lander testified that he “stand[s] by [his] recommendation that incremental rates should be the metric for setting costs to be allocated.”

***4. Commission Conclusions Regarding Fuel Purchasing Practices, Environmental Costs, Plant Operations, and Fuel Inventory Management***

Based upon the evidence and testimony of the witnesses, the Commission therefore finds and concludes that DESC’s fuel purchasing practices and policies, environmental costs, plant operations, and fuel inventory management during the Review Period are reasonable and prudent.

Therefore, the issues related to the Mountain Valley Pipeline and the Southeastern Trail Project are properly not before the Commission in this proceeding, and the Commission declines to issue any ruling on these matters.

With respect to the allocation of costs between the Company’s Electric and Gas Divisions, the Commission declines to adopt any of the recommendations of Witness Lander. The allocation of costs between the Electric and Gas Divisions is conducted pursuant to a MOU, as previously approved by the Commission in Docket No. 2006-5-G, and a Replacement MOU approved by the Commission in Docket No. 2015-5-G. Consistent with its previous findings when considering the MOU and Replacement MOU, the Commission finds that the cost allocation procedures required

by the MOU and Replacement MOU are reasonable and prudent by reflecting the actual costs incurred by the Electric and Gas Divisions while at the same time ensuring that the primary contract holder has access to firm service.

Further, the proper proceeding to address the allocation of gas costs between the Company's Electric and Gas Divisions is in the Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of Dominion Energy South Carolina, Inc.

### **C. DER Programs and Costs**

#### ***1. DESC Testimony***

Witness Furtick discussed the performance of the Company's DER programs during the Review Period, and the costs associated with offering these DER programs during the Review Period. These programs include offering utility-scale DER programs, customer-scale Net Energy Metering (NEM) incentives, Performance Based Incentives, Bill Credit Agreement program, and the Community Solar program. Witness Furtick also discussed the Company's DER cost projections for the forecast period January 1, 2020, through April 30, 2021.

Witness Furtick testified that, as a result of the Company's efforts with respect to DER programs, the balance of DER program costs at the end of the Review Period totaled an over-collected balance of \$1,334,400 in avoided costs and an under-collected balance of \$3,271,553 in incremental costs. For the period January 1, 2020, through April 30, 2021, the Company projects that DER program costs will include \$9,656,047 in avoided costs and \$25,820,601 in incremental costs.

Witness Rooks provided actual data on the Company's DER avoided and incremental costs for the historical Review Period and the projected DER costs for the period January 1, 2019, through April 30, 2021. Witness Rooks testified that, as shown in Composite Hearing Exhibit No.

1 (AWR-7), the Company is recommending that its DER Avoided Cost components be slightly increased for all customer classes for the period May 2020 through April 2021, and should be as follows: 0.038 cents per kWh for the Residential rate class; 0.037 cents per kWh for the Small General Service rate class; 0.030 cents per kWh for the Medium General Service rate class; and 0.019 cents per kWh for the Large General Service rate class. He also testified that, as reflected in Composite Hearing Exhibit No. 1 (AWR-9), the Company's DER program Incremental Costs by class should be: \$1.00 per account per month for the Residential rate class; \$5.85 per account per month for the Small/Medium General Service rate class; and \$100.00 per account per month for the Large General Service rate class. The \$5.85 for Small/Medium General Service customers, is an increase, whereas the rates for the Residential Rate Class and the Large General Service rate class would remain unchanged. As noted above, Witness Rooks sponsored the Company's proposed "Adjustment for Fuel, Variable Environmental & Avoided Capacity, and Distributed Energy Resource Costs" tariff, as reflected in Composite Hearing Exhibit No. 1 (AWR-11).

Witness Furtick testified that the Company has achieved the utility-scale and customer-scale goals as prescribed by S.C. Code Ann. § 58-39-130 (2015). As of December 31, 2019, DESC has nine solar farms totaling 48.16 MW interconnected to DESC's distribution system as part of the Company's approved DER program. DESC also has 9,833 customers participating in its customer-scale DER programs, providing approximately 95.89 MW of solar generating capacity on the Company's system.

Witness Rooks testified that, in Order No. 2019-847 issued in Docket No. 2019-184-E, the Commission has "approved updated avoided costs and updated components of value for NEM Distributed Energy Resources consistent with the NEM methodology approved by the Commission in Order No. 2015-194." He noted that the Commission authorized DESC to "true

up” the avoided costs and NEM methodology costs that remained in effect under the bifurcation Order issued in Docket No. 2019-2-E with the updated values determined in Docket No. 2019-184-E, and to account for this difference in this proceeding as an adjustment to fuel rates beginning with the first billing cycle in May 2020. He further noted that DESC was authorized to true up its “variable integration costs for the period from the first billing cycle in May 2019 until the first billing cycle for the month after the date of the final order in Docket No. 2019-184-E, and deduct the ‘trued up’ costs from future payments made to the solar producers with existing PPAs containing the agreement to reimburse the Company for any such variable integration costs.” Witness Rooks testified that, because questions raised in Docket No. 2019-184-E regarding the calculation of avoided costs, NEM methodology costs, and variable integration charges had not been resolved at the time direct testimony was filed, the Company was unable to calculate the correct “true up” in its proposed adjustment to fuel rates. He testified that the Company is requesting that it be allowed to reflect the calculated “true up” of the avoided costs and NEM methodology costs as part of the adjustment to fuel rates that will become effective with the first billing cycle in May 2021. Witness Rooks testified that the “[t]rued up’ variable integration charges will be deducted from future payments made to the solar producers with existing PPAs containing the agreement to reimburse the Company for any such variable integration charges.”

Witness Furtick also testified that DESC had achieved Act 236’s net metering limit or cap of 2% in 2019 and that, by letter dated May 16, 2019, in Docket No. 2014-216-E, had “informed the Commission that it had achieved the 2.0% NEM threshold and that it had not accepted NEM applications submitted after May 3, 2019.” Witness Furtick noted, however, that, in Act No. 62 of 2019 (“Act 62”), the South Carolina General Assembly eliminated the 2% NEM threshold previously found in S.C. Code Ann. § 58-40-20(B) (2015). Witness Furtick testified that,



accordingly, in order to comply with Act 62, DESC previously submitted two revised tariffs to the Commission. The first, a “Rider to Retail Rates – Second Net Energy Metering for Renewable Energy Facilities” tariff, “reflects the closure of NEM 2.0 effective May 4, 2019. The second, a “Rider to Retail Rates – Third Net Energy Metering for Renewable Energy Facilities” tariff, “eliminates the 2% NEM threshold and makes net energy metering available to those customers who apply for it from May 17, 2019, through May 31, 2021.” Mr. Furtick notes that these tariffs were approved by the Commission in Order No. 2019-392, dated May 29, 2019.

Witness Rooks testified that, in Docket No. 2019-184-E, which was a proceeding conducted in compliance with S.C. Code Ann. § 58-41-20(A) (Supp. 2019), the Commission “issued a directive to approve the component values for the NEM DER Methodology on January 3, 2020.” He testified that the statute requires that such proceedings must be held at least once every 24 months and separate from the annual fuel cost proceedings. Witness Rooks further testified that, “[b]ecause the NEM Methodology values are being updated in Docket No. 2019-184-E, and in the interest of judicial economy, the Company is not seeking to readjust the NEM Methodology in this docket.” He also testified that, instead, the Company is seeking to amend its NEM tariffs to state that the “component values will be updated coincident with each avoided cost proceeding conducted pursuant to S.C. Code Ann. § 58-41-20(A).” Witness Rooks testified that the proposed amended tariffs are identified as Composite Hearing Exhibit No. 1 (AWR-13) (the “Rider to Retail Rates – Second Net Energy Metering for Renewable Energy Facilities” tariff) and Composite Hearing Exhibit No. 1 (AWR-15) (the “Rider to Retail Rates – Third Net Energy Metering for Renewable Energy Facilities” tariff).

Regarding the Company’s Community Solar program, Witness Furtick testified that Springfield Solar, a 6 MW facility in Orangeburg County, and Nimitz Solar, an 8 MW facility in

Jasper County, entered commercial operation in June 2018, and that Curie Solar, a 2 MW facility in Hampton County, entered commercial operation in February 2019. According to Witness Furtick, as of December 31, 2019, 1,102 customers have either purchased or subscribed to 15.977 MW of the available 16 MW of community solar capacity. The remaining 0.023 MW of capacity is reserved for low-income customers and will be filled via a separate waitlist created by the marketing of DESC, Clean Energy Collective, and eight Customer Assistance Agencies.

Witness Furtick further testified that the Company has continued to evaluate battery energy storage, the microgrid project at its Lake Murray Training Center, and electric vehicle charging programs. He notes that the Company has filed a storage tariff so that interested parties have an opportunity “to develop and deploy battery energy storage on the DESC system.” He testified that the Company has decided not to pursue a battery storage project under S.C. Code Ann. § 58-39-130(D) (2015). He also testified that the Company has decided not to proceed with the potential microgrid project at the Lake Murray Training Center because another subsidiary of its parent company has deployed an existing microgrid project, and there also is a “second microgrid project that has been included in Dominion Energy Virginia’s Grid Transformation filing with the Virginia State Corporation Commission.” Witness Furtick testified that the Company expects that it will gain insights from these projects conducted by another Dominion subsidiary and, thus, has decided not to move forward with the microgrid project at Lake Murray. He also testified that DESC continues to evaluate vehicle charging programs, but it is not pursuing such a program at this time. He testified that when the Company “identifies electric vehicle charging programs and rates that provide customer and system benefits, DESC anticipates applying to the Commission for approval to move forward with the programs and rates.”

## ***2. ORS Testimony***

Witness Lawyer testified that the Company's DER program calculations are in compliance with Act No. 236 of 2014 and Commission orders, and that the Company's calculations support DESC's proposed DER program charges. Witness Lawyer further testified that the Company proposes to update "the Value of NEM Distributed Energy Resources and associated tariffs coincident in time with each future Avoided Cost Proceeding conducted pursuant to S.C. Code Ann. § 58-41-20(A) of Act 62, which is to occur at least once every twenty-four months." He further testified that Act 62 did not change the requirement that the Company update the value of NEM Distributed Energy Resources annually in the Company's fuel filing, and noted that Commission Order No. 2015-194 adopting a Settlement Agreement remains in effect. He testified that the Settlement Agreement states that the "costs and benefits of net metering and the required amount of the DER NEM incentive shall be computed and updated annually coincident in time with the Utility's filing under the fuel clause." Witness Lawyer further noted that Order No. 2015-194 states that the "Parties will take no action or advocate any position inconsistent with this commitment."

## ***3. SCCCL and SACE Testimony***

SCCCL and SACE did not present testimony regarding the DER programs offered by the Company during the Review Period or the associated costs.

## ***4. The Commission's Overall Conclusions Regarding DER Programs and Cost***

The Commission finds that the evidence presented by DESC establishes that, during the Review Period, DESC offered DER programs and that the Company has met its statutorily designated goals as set by S.C. Code Ann. § 58-39-130 (2015). The Commission further finds that

the Company's DER programs as currently constituted, and the associated costs are reasonable and prudent.

The Commission finds that DESC's proposal to "true up" the difference between the avoided costs and NEM methodology costs that remained in effect under the bifurcation Order issued in Docket No. 2019-2-E with the updated values determined in Docket No. 2019-184-E in its next annual fuel proceeding is reasonable and prudent. The Commission authorizes DESC to account for this difference in the next annual fuel proceeding with the calculated "true up" to be reflected in the adjustment to fuel rates that will become effective with the first billing cycle in May 2021.

Based upon the evidence and testimony of the witnesses the Commission finds and concludes that DESC is bound by the language of the Settlement Agreement adopted in Order No. 2015-194 and that nothing in Act 62 alters the requirement to update the value of NEM DER annually, coincident with DESC's annual fuel cost proceeding. Therefore, until otherwise ordered by this Commission or new legislation, the value of NEM DER shall continue to be updated annually in DESC's fuel dockets.

## **V. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

For the period under review, DESC's fuel purchasing practices and policies, plant operations, fuel inventory management, and all other matters associated with S.C. Code Ann. § 58-27-865 (2015) were reasonable and prudent.

The issues related to the Mountain Valley Pipeline and the Southeastern Trail Project are not properly before the Commission in this proceeding, and the Commission declines to issue any ruling on these matters.

The allocation of costs between DESC's Gas and Electric Divisions pursuant to a MOU, as previously approved by the Commission in Docket No. 2006-5-G, and a Replacement MOU approved by the Commission in Docket No. 2015-5-G, is reasonable and prudent. It therefore is unnecessary to adopt Witness Lander's recommendations because those issues are sufficiently dealt with under existing laws and prior Commission orders.

DESC has met the utility-scale and customer-scale goals as prescribed by S.C. Code Ann. § 58-39-130 (2015). During the Review Period, DESC reasonably and prudently incurred costs in implementing the Company's Distributed Energy Resource Program, as approved in Commission Order No. 2015-512.

During the Review Period, DESC offered DER programs and took steps to fulfill its DER goals approved by the Commission in Order No. 2015-194, and DESC's programs and steps were reasonable and prudent, complied with Order Nos. 2015-194 and 2015-512, and were designed to meet DESC's statutorily designated goals as set by S.C. Code Ann. § 58-39-130 (2015).

As a result of DESC's efforts to provide the DER programs, the over-collected balance of the DER program costs as of December 31, 2019, totaled \$1,334,400 in avoided costs and an under-collected balance of \$3,271,553 in incremental costs, which costs are reasonable and prudent.

DESC's proposed DER Avoided Cost Components by class are reasonable and prudent. DESC's proposed monthly per account DER Incremental Cost Components by class properly allocate DESC's DER program incremental costs and are reasonable and prudent.

DESC's proposed "Adjustment for Fuel, Variable Environmental, & Avoided Capacity, and Distributed Energy Resource Costs" tariff sheet, including the rates, terms, and conditions, is lawful, just, and reasonable.

DESC's proposal to update the component values of the DER NEM tariffs, and revision to the attendant tariffs to reflect that the component values will be updated in avoided cost proceedings pursuant to S.C. Code Ann. §58-41-20(A), rather than annual fuel cost proceedings, is inconsistent with Commission Order No. 2015-194. DESC shall continue to update the component values to the DER NEM rates coincident with each annual fuel proceeding, and it must true-up such resulting amounts in the next fuel proceeding.

**IT IS THEREFORE ORDERED THAT:**

1. The fuel purchasing practices and policies, plant operations, fuel inventory management, and all other matters associated with S.C. Code Ann. § 58-27-865 (2015) of DESC are reasonable and prudent for the period January 1, 2019, through December 31, 2019.

2. DESC's proposed revisions to its "Adjustment for Fuel, Variable Environmental, & Avoided Capacity, and Distributed Energy Resource Costs" tariff sheets are lawful, just and reasonable and are hereby approved for bills rendered on, during, and after the first billing cycle in May 2020.

3. DESC's DER programs offered during the Review Period were reasonable and prudent, complied with Commission Order Nos. 2015-194 and 2015-512, and were designed to meet DESC's statutorily designated goals as set by S.C. Code Ann. § 58-39-130 (2015).

4. DESC's proposed monthly per kWh DER Avoided Cost Components by class, as set forth below, properly allocate DESC's DER program avoided costs, are reasonable and prudent, and are hereby approved for bills rendered on, during, and after the first billing cycle in May 2020.

<b>Class</b>	<b>DER Avoided Cost Component (¢/kWh)</b>
Residential	0.038
Small General Service	0.037
Medium General Service	0.030
Large General Service	0.019

5. DESC’s proposed monthly per account DER Incremental Cost Components by class, as set forth below, properly allocate DESC’s DER program incremental costs and are reasonable and prudent, and are hereby approved for bills rendered on, during, and after the first billing cycle in May 2020.

<b>Class</b>	<b>Monthly Per Account DER Incremental Cost Component</b>
Residential	\$ 1.00
Small & Medium Gen. Svc.	\$ 5.85
Large General Service	\$ 100.00

6. DESC’s proposal to “true up” the difference between the avoided costs and NEM methodology costs that remained in effect under the bifurcation Order issued in Docket No. 2019-2-E with the updated values determined in Docket No. 2019-184-E in its next annual fuel proceeding is reasonable and prudent. The Commission directs DESC to account for this difference in the next annual fuel proceeding with the calculated “true up” amount to be reflected in the adjustment to fuel rates that will become effective with the first billing cycle in May 2021.

7. DESC’s proposal to update component values for the NEM DER Methodology as part of the avoided costs proceedings conducted pursuant to S.C. Code Ann. § 58-41-20(A) (Supp. 2019) is denied. DESC shall continue to update the component values for the NEM DER Methodology in its annual fuel proceedings.

8. SCCCL and SACE Witness Lander's position on the recovery of the costs associated with its Precedent Agreements with Mountain Valley Pipeline and Transcontinental Gas Pipeline Company's Southeastern Trail Project is not ripe for consideration and is therefore denied.

9. The allocation of costs between DESC's Gas and Electric Divisions pursuant to a MOU, as previously approved by the Commission in Docket No. 2006-5-G, and a Replacement MOU approved by the Commission in Docket No. 2015-5-G, is reasonable and prudent. SCCCL and SACE Witness Lander's position on this issue is denied.

10. DESC shall set its Base Fuel Cost Component, Variable Environmental & Avoided Capacity Cost Components and Total Fuel Cost Factors consistent with the amounts set forth in the table below effective for bills rendered on and after the first billing cycle of May 2020.

<b>Class</b>	<b>Base Fuel Cost Component (¢/kWh)</b>	<b>Variable Environmental &amp; Avoided Capacity Cost Component (¢/kWh)</b>	<b>DER Avoided Cost Component (¢/kWh)</b>	<b>Total Fuel Costs Factor (¢/kWh)</b>
Residential	2.250	0.071	0.038	2.359
Small General Service	2.250	0.070	0.037	2.357
Medium General Service	2.250	0.057	0.030	2.337
Large General Service	2.250	0.036	0.019	2.305
Lighting	2.250	0.000	0.000	2.250

11. DESC shall file with the Commission the tariff sheets and rate schedules approved by this Order within ten (10) days of receipt of this Order, and also serve copies on the Parties. The fuel rates reflected in any such tariff sheets shall be consistent with the components and factors set forth herein. The revised tariffs should be electronically filed in a text searchable PDF format using the Commission's DMS System (<https://dms.psc.sc.gov/>). An additional copy should be sent



via e-mail to [etariff@psc.sc.gov](mailto:etariff@psc.sc.gov) to be included in the Commission's ETariff system (<https://etariff.psc.sc.gov>). DESC shall provide a reconciliation of each tariff rate change approved as a result of this order to each tariff rate revision filed in the ETariff system. Such reconciliation shall include an explanation of any differences and be submitted separately from the Company's ETariff filing. Each tariff sheet shall contain a reference to this Order and its effective date at the bottom of each page.

12. DESC shall comply with the notice requirements set forth in S.C. Code Ann. § 58-27-865(B) (2015).

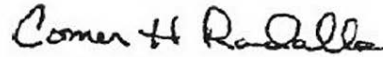
13. DESC shall continue to file the monthly reports as previously required.

14. DESC shall account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to revenues with a corresponding deferred debit or credit. ORS is hereby requested to monitor the cumulative recovery amount.

15. DESC shall submit monthly reports of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 megawatts or greater to the Commission and ORS.

16. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Comer H. "Randy" Randall, Chairman

ATTEST:



Jocelyn Boyd, Chief Clerk/Executive Director